

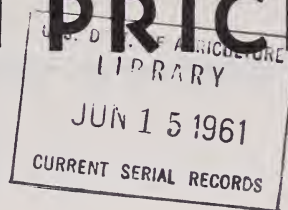
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January 1961
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JAN. 26, A. M.

The DEMAND and PRICE SITUATION



DPS-73



Approved by the Outlook and Situation Board, January 18, 1961

SUMMARY

Prices received by farmers advanced $3\frac{1}{2}$ percent between August and December 1960, mainly due to smaller supplies of a number of farm commodities. Cattle prices rose 6 percent from October to December with an easing off of marketings since September. Prices in early 1961 were about the same as a year earlier. Hog prices in December were about 40 percent above last year, reflecting smaller marketings from the reduced 1960 spring pig crop. Prices in the early months of 1961 will continue above the same months last year, although the prospective increase in the spring pig crop indicates a larger output in the last half of 1961. Egg production since July has been below a year ago and egg prices in early January, although down from the fall of 1960, remain well above a year ago.

Among the crops, soybean prices averaged 11 cents per bushel above support rates in October-December, reflecting strong demand and slightly smaller supplies so far this marketing year. Fruit prices in late 1960 remained well above the previous fall. In December, prices of oranges averaged 50 percent above a year ago and prices of apples were also higher. The tobacco index in December was 5 percent above a year ago, and the price for burley so far this season has averaged 7 percent above last year. In addition, seasonal increases in food and feed grains have contributed to the rise in the prices received index in the closing months of 1960.

(Continued on page 3)



Growth Through Agricultural Progress

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AGRICULTURAL MARKETING SERVICE
UNITED STATES DEPARTMENT OF AGRICULTURE

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1959		1960			
		Year	Dec.	Sept.	Oct.	Nov.	Dec.
Industrial production, seasonally adj. <u>1/</u>	: 1947-49=100	: 159	: 165	: 162	: 161	: 159	: 156
All manufactures	: do.	: 158	: 164	: 161	: 160	: 157	: 154
Durable goods	: do.	: 165	: 174	: 166	: 164	: 160	: 156
Nondurable goods	: do.	: 155	: 158	: 159	: 159	: 158	: 157
Mining	: do.	: 125	: 130	: 127	: 128	: 128	: 126
Utilities	: do.	: 268	: 279	: 295	: 293	: 293	: 294
Construction:	:	:	:	:	:	:	:
Total outlays, seasonally adjusted <u>2/</u>	: Mil. dol.	: 56,105	: 4,614	: 4,610	: 4,561	: 4,584	: 4,570
Public construction	: Mil. dol.	: 16,257	: 1,276	: 1,386	: 1,367	: 1,362	: 1,329
Private residential	: Mil. dol.	: 24,469	: 1,992	: 1,810	: 1,769	: 1,791	: 1,832
Housing starts <u>3/</u> *	: Thousands	: 1,517	: 1,451	: 1,066	: 1,256	: 1,212	: 990
Manufacturers' sales and inventories: <u>2/</u>	:	:	:	:	:	:	:
Total sales, seasonally adjusted	: Mil. dol.	: 29,758	: 30,790	: 30,090	: 29,600	: 29,240	:
Durable goods	: Mil. dol.	: 15,359	: 15,010	: 14,410	: 14,080	: 13,750	:
Unfilled orders-sales ratio <u>5/</u>	:	: 3.25	: 3.21	: 3.10	: 3.11	: 3.12	:
Inventory-sales ratio <u>6/</u>	:	: 1.73	: 1.70	: 1.82	: 1.84	: 1.85	:
Durable goods	:	: 1.96	: 2.00	: 2.21	: 2.23	: 2.26	:
Employment and wages: <u>7/</u>	:	:	:	:	:	:	:
Total civilian employment	: Millions	: 65.6	: 65.7	: 67.8	: 67.5	: 67.2	: 66.0
Nonagricultural	: do.	: 59.7	: 60.9	: 61.2	: 61.2	: 61.5	: 61.1
Unemployment	: do.	: 3.8	: 3.6	: 3.4	: 3.6	: 4.0	: 4.5
Workweek in manufacturing	: Hours	: 40.3	: 40.6	: 39.5	: 39.6	: 39.2	: 38.8
Hourly earnings in manufacturing	: Dollars	: 2.22	: 2.27	: 2.30	: 2.30	: 2.30	: 2.32
Income and spending:	:	:	:	:	:	:	:
Personal income payments <u>2/</u> <u>3/</u>	: Bil. dol.	: 383.3	: 352.8	: 408.8	: 409.7	: 409.0	: 406.7
Consumer credit outstanding <u>1/</u>	: Mil. dol.	: 52,046	: 52,046	: 54,128	: 54,201	: 54,626	:
Automobile	: Mil. dol.	: 16,590	: 16,590	: 18,086	: 18,055	: 17,967	:
Total retail sales, seasonally adj. <u>2/</u>	: Mil. dol.	: 17,930	: 17,485	: 18,054	: 18,554	: 18,421	: 18,156
Durable goods	: Mil. dol.	: 5,962	: 5,328	: 5,797	: 6,133	: 5,984	: 5,630
Inventory-sales ratio <u>6/</u>	:	: 1.36	: 1.39	: 1.40	: 1.37	: 1.39	:
Prices:	:	:	:	:	:	:	:
Wholesale prices, all commodities <u>4/</u>	: 1947-49=100	: 120	: 119	: 119	: 120	: 120	: 120
Commodities other than farm and food	: do.	: 128	: 129	: 128	: 128	: 128	: 128
Farm products	: do.	: 89	: 86	: 88	: 89	: 90	: 89
Foods processed	: do.	: 107	: 105	: 108	: 109	: 109	: 109
Consumer price index, all items <u>4/</u>	: 1947-49=100	: 125	: 126	: 127	: 127	: 127	:
Food	: do.	: 118	: 118	: 120	: 121	: 121	:
Prices received by farmers <u>8/</u>	: 1910-14=100	: 240	: 230	: 237	: 240	: 241	: 242
Crops	: do.	: 221	: 218	: 222	: 220	: 218	: 217
Livestock and products	: do.	: 256	: 240	: 251	: 258	: 261	: 263
Prices paid, interest, taxes and wage rates <u>8/</u>	: 1910-14=100	: 298	: 296	: 298	: 297	: 297	: 298
Family living items	: do.	: 289	: 291	: 290	: 290	: 291	: 290
Production items	: do.	: 266	: 264	: 263	: 262	: 262	: 264
Parity ratio <u>8/</u>	:	: 81	: 78	: 80	: 81	: 81	: 81
Farm income and marketings: <u>8/</u>	:	:	:	:	:	:	:
Volume of farm marketings	: 1947-49=100	: 128	: 142	: 157	: 189	: 172	: 142
Cash receipts from farm marketings	: Mil. dol.	: 33,146	: 2,993	: 3,368	: 4,000	: 3,712	: 3,100

Annual data for most of these items for years 1929, 1939, 1941, and 1946-59 appear on page 40 of the April 1960 issue of The Demand and Price Situation.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates. 4/ U. S. Department of Labor, Bureau of Labor Statistics. 5/ Unfilled orders for durables divided by monthly deliveries. 6/ Inventories, book value, end of month, divided by sales. 7/ Bureau of the Census. 8/ U. S. Department of Agriculture, Agricultural Marketing Service. *Beginning May 1960 the series for housing starts includes farm and private nonfarm units. The nonfarm series has been adjusted for under coverage and different seasonal adjustment factors. Data for the new series are available back to January 1959.

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 T H E D E M A N D A N D P R I C E S I T U A T I O N
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Approved by the Outlook and Situation Board, January 18, 1961

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The value of exports of U. S. farm products in calendar year 1960 set a new record, about a fifth above 1959, and 6 percent above the previous calendar year record in 1957. The physical volume of agricultural exports in 1960 was at least one-fourth above 1959 and 15 percent above 1957. About 25 percent of the increase in the value of nonmilitary exports in 1960 was due to a gain in agricultural shipments. Exports of cotton in 1960 totaled around $7\frac{1}{4}$ million bales; wheat and flour, close to 600 million bushels; tobacco, 490 million pounds; and fats and oils (including oil content of oil seeds), nearly 6 billion pounds. Some form of Government assistance financed about 60 percent of the total value of agricultural exports in 1960, not greatly different from other recent years.

While prices received by farmers moved higher, business activity declined in the closing months of 1960. Personal income declined in December to a rate of \$406.7 billion, but was $2\frac{1}{2}$ percent above a year ago. Retail sales in October-November recovered some from the previous three months dip but slipped back in December. Auto sales have declined since October; but sales of nondurable goods stores rose in December after showing little change since mid-year. Manufacturers' new orders dipped in November to 4 percent below June and the Federal Reserve's industrial production index in December declined to 103 (1957=100), about 6 percent below mid-year with durable goods down the most. Construction outlays were about level over the past few months, with private construction rising a little. Civilian employment, seasonally adjusted, in December was down 1 million from mid-year. Unemployment rose to 4.5 million in December, and represented 6.8 percent of the civilian labor force. The number of employees exhausting their unemployment benefits reached 160,000 in December compared with 122,000 a year earlier. Prices of industrial goods declined slightly from June but the costs of retail services and food were higher.

Commodity Highlights

The number of cattle and calves on feed January 1, in 26 feeding States, was 6 percent larger than January 1960. Farmers planned to market 6 percent more in January-March than last winter. Marketings of grass cattle during this time also are expected to exceed year-earlier levels.

Prices to farmers for manufacturing milk in 1960 averaged $2\frac{1}{2}$ percent above 1959, mostly because of higher demand for milk used in manufacturing cheese.

February and March marketings of broiler chickens will likely be up about 9 and 4 percent, respectively, from the same months last year, judging from recent broiler-chick placements. Hatchings of egg-type chicks in the first quarter of 1961 are expected to be considerably above January-March 1960, but thereafter may decline relative to 1960. Farmers' early-January intentions were to raise 20 percent more turkeys than the 82 million raised last year.

Prices to farmers for soybeans will likely show a greater seasonal rise from last fall's harvest-time lows to the peak late next spring than the average 15 cent seasonal increase of the last 4 years.

The number of animal units to be fed in 1960-61 is expected to be a little below 1959-60. The big feed grain crop is not only sufficient to meet 1960-61 feed requirements but to increase the carryover by 10 to 15 percent over the 75 million tons carried into the current marketing year.

Cash prices for wheat continued to advance in winter wheat markets, and in early January they were at or near the high for the season. The high rate of wheat exports is expected to continue and the 1960-61 total is now estimated at 575 million bushels.

The average price received by farmers for rice in 1960-61 is estimated at \$4.59 per cwt., 17 cents above the support rate. The 1959-60 season average price was 21 cents above the support.

Market prices for most fruits in early January were higher than a year ago and are expected to continue above 1960 levels. Cold-storage stocks of apples on January 1 were substantially smaller than stocks a year earlier. With a smaller total citrus crop, strong processor demand, and sharply reduced processor stocks, citrus prices are expected to continue above a year ago.

Supplies of vegetables for fresh market and canned supplies are likely to be a little smaller this winter than last, but moderately more frozen vegetables will be available in the early months of this year than last. Supplies of potatoes are moderately larger than a year ago.

Cotton exports for the current season are expected to be about $6\frac{1}{2}$ million compared with 7.2 million bales in the 1959-60 season. Domestic consumption is also likely to be smaller than the 9 million bales of 1959-60. But, with the

smaller crop, carryover next August probably will be smaller than the 7.6 million bales of last August.

Marketings of the 1960 burley tobacco crop have been practically completed. Auction prices for the season through mid-January averaged 64.4 cents per pound, 4 cents higher than for last season. Deliveries for Government loans amounted to only about $1\frac{1}{2}$ percent of gross sales.

GENERAL BUSINESS CONDITIONS

At year-end, further small declines from the levels reaches in the first half of 1960 were recorded in business activity, mostly in the cyclically sensitive durable goods sector. Manufacturers' new orders, production, and employment declined. Unemployment in December, at 6.8 percent of the civilian labor force, was up from 6.3 percent in November and well above a year ago. Business continued to liquidate stocks in November. Retail durable goods sales were off in December. Construction outlays were unchanged from the early fall, but farm product and urban consumer prices rose a little in November.

Personal Income and Spending Dip at Year-End

Personal income in December at a \$406.7 billion annual rate was down \$3 billion from October, but $2\frac{1}{2}$ percent above a year ago. Wage and salary disbursements at \$271 billion were $2\frac{1}{2}$ billion below November due to further employment declines in manufacturing industries. Transfer payments rose, due most to higher unemployment compensation.

Retail sales in December totaled \$18.2 billion, down from the October level of \$18.5 billion, but about the same as July-September and 4 percent above a year ago. Durable goods sales dropped 8 percent between October and December, mostly due to some drop in auto sales. Sales of nondurable goods in December, at \$12.5 billion, were up a little from November, and 3 percent above a year ago. Except for a dip in September, monthly sales of nondurable goods have averaged about \$12.5 billion since last spring. Sales of the food group and drug stores have increased moderately since April.

Manufacturing Sector Declines

The volume of manufacturers' new orders in November, at \$29 billion, seasonally adjusted, was slightly below a year ago. New orders in the spring of 1960 averaged around \$30.4 billion but tapered off in the early summer. A pick-up in defense contracting boosted orders in August and September, but orders eased in October and November, due mainly to a drop in new business of aircraft and transportation equipment industries. Manufacturers' sales have exceeded new orders during 1960, and order backlogs by November were \$6 billion below a year ago. Manufacturers' sales totaled \$29.2 billion in November, a little above a year ago, but about 7 percent below the spring high in 1960. The biggest decline in November was in sales of motor vehicles and parts. There were small declines in sales of electrical machinery; but sales of iron and steel held steady in November. Nondurable goods sales, at \$15.5 billion in November, were about the

same as in October and in November 1959, but were 3 percent below April. Sales of food and beverage manufacturers have held steady in 1960, but sales of textile, paper, chemicals, petroleum and coal and rubber have declined.

Business stocks rose by about \$5 billion between November 1959 and June 1960, but then declined by \$700 million by November. At manufacturing levels, stocks of durable goods firms were reduced about a billion dollars since June. Retail stocks of durable goods rose \$160 million, as a \$230 million increase in auto stocks was offset partly by reductions in appliances and the lumber and hardware group. Nondurable goods stocks have increased \$100 million since June, almost entirely at wholesale trade levels. Despite the decline in inventories, stock-sales ratios have increased from 1.51 in June to 1.55 in November.

The Federal Reserve Board's index of industrial production in December, seasonally adjusted, at 103 (1957=100), was 6 percent below June 1960 and a year ago. Production of durable goods was down 8 percent from June and $9\frac{1}{2}$ percent below a year ago. Production of consumer durable goods (automotive and home goods) in December was down $10\frac{1}{2}$ percent from the peak last April and 5 percent from a year ago. Mainly responsible were cutbacks in auto production and appliances. Production of business equipment in December was 3 percent below June and 4 percent below a year ago. Output of materials in December was down $6\frac{1}{2}$ percent from June and $8\frac{1}{2}$ percent below a year ago. Lower production of consumer goods, and reductions in construction outlays and inventories contributed to the drop, which was steepest in iron and steel.

Production of nondurable goods, at 116 in June and July, declined 4 percent by the end of the year to 111.5. Production of apparel, textile and leather goods was off $7\frac{1}{2}$ percent from mid-year and was 6 percent below December 1959. Output of chemical, petroleum and rubber products also declined 6 percent from mid-year. Output of the food and paper group was about the same in December as in July. Production of consumer staples held steady in the last six months.

Construction Outlays Steady

In December, construction outlays were at a seasonally adjusted annual rate of \$54.8 billion, slightly below November, and the 1960 total of \$55 billion. Private construction, which declined between August 1959 and late 1960, apparently reached a low in October 1960 of \$38.3 billion. In December, it was at an annual rate of \$38.9 billion, 4 percent below a year ago but up $1\frac{1}{2}$ percent from October. Residential construction, after declining sharply from early 1959 recovered about 4 percent from October to December. Nonresidential building rose in 1960 due to a sharp rise in industrial building and a moderate rise in commercial outlays. In recent months, industrial outlays have tended to decline, reflecting the turndown in plant and equipment spending. Public utility outlays rose slightly while the farm and other residential groups declined in the last quarter.

Public construction outlays in December were at an annual rate of \$16 billion, about the same as the total for 1960. In recent months a reduction in the rate of highway expenditures was mainly responsible for the dip in outlays. Election approvals of bond issues in 1960 are expected to reach \$5.5 billion, about double approvals for 1959 and well above the previous record in 1956. While there is considerable lag between voter approval and construction activity, the heavy approvals in the last few years tend to support the projected rise of 5 percent in public construction in 1961.

Employment Lower

The labor markets at year-end reflected the decline in economic activity during the last half of 1960. Employment and average hours, seasonally adjusted, were both lower than mid-year. Again the greatest declines were in manufacturing and mining industries with the biggest drop in durable goods manufacturing. Civilian employment in December, at 66.4 million, seasonally adjusted, was down a million from the June level of 67.4 million. The unemployment rate was 6.8 percent in December compared to 5.5 percent in June when the civilian labor force was about the same size. The unemployment rate was 5.5 percent in December 1959.

All the decline in employment since June, after seasonal adjustment, was in nonagricultural industries. Employment in manufacturing establishments was down the most in the last six months but there also were cutbacks in mining, transportation and trade employment. Construction employment was about unchanged, while service and Government jobs increased a little.

In the last half of 1960, average weekly hours reflected the decline in production. The average weekly hours of production workers in manufacturing in December were 38.5 compared with 39.9 in June and 40.2 a year earlier. In building construction and retail trade hours have changed little in the last six months. For all nonagricultural industries average hours worked in December were 40.0 compared to 40.2 a year earlier. Average hourly earnings in manufacturing in December were \$2.32, 5 cents above a year earlier, reflecting in part the continued uptrend in wage rates, but average weekly earnings were \$2.14 below a year ago as higher wage rates were more than offset by fewer hours.

The seasonally adjusted farm wage rate index rose about 4 percent from October 1, 1960 to January 1, 1961. The January 1 index, however, was less than 1 percent higher than a year earlier. This was the smallest annual increase for the early winter date since 1956.

Of the 4.5 million unemployed in December 1960, 22.4 percent were out of work 15 weeks and over, compared to 22.6 percent a year earlier. State insured unemployment has risen since mid-year and the seasonally adjusted rate of insured unemployment rose to 6.5 percent of covered employment in November. Exhaustions of unemployment benefits have increased and in December totaled 160,000, up sharply from the 136,000 in November and, the 122,000 in December 1959. Exhaustions of unemployment benefits under State programs are about as high as in the 1957-58 recession period.

Price Trends Mixed

The index of prices received by farmers in December was about unchanged from the previous month and $3\frac{1}{2}$ percent above August. The index in December was 5 percent above a year ago, mainly because of the sharp improvement in prices of hogs, eggs, and fruits; supplies of these commodities are down from a year ago. Between November and December, beef cattle prices increased 2 percent as marketings declined. In addition, auction prices for burley tobacco were the second highest on record, and corn prices rose 5 percent. Partially offsetting were declines in prices of oranges and cotton.

The index of prices paid, including interest, taxes, and farm wage rates in the last half of 1960 held slightly above a year ago, indicating overall stability in farm cost rates. Between November and December prices paid for family living items dipped, but the cost of production items rose slightly due to increases in feeder livestock and motor vehicles. With prices received by farmers up and relatively stable prices paid, the parity ratio, at 81 in December, was 3 points above a year ago.

Urban consumer prices continued to inch higher in 1960. The index in November, at 127.4 (1947-49=100), was about $1\frac{1}{2}$ percent above a year ago. Retail food prices which rose nearly 0.7 percent since mid-year were about $2\frac{1}{2}$ percent above a year ago. The cost of services, which have shown a persistent uptrend during the postwar period, in November were 3 percent above a year ago, led by a 4 percent rise in the cost of medical care. Partially offsetting have been modest declines in prices of most consumer durable goods under pressure of declining demand and heavy stocks. New car prices increased after introduction of the 1961 models, but in November were $3\frac{1}{2}$ percent below November 1959. For the first time since 1952 apparel prices turned down between October and November.

Wholesale industrial prices in December, at 127.9 (1947-49=100), were a little below a year ago. Declines in consumer finished goods and industrial crude materials were mainly responsible. Prices of apparel, household appliances and furniture, metals and metal products, and lumber have declined since mid-1960, reflecting the widespread price concessions made to move heavy stocks.

POSTWAR MOVEMENTS IN DURABLE GOODS OUTPUT

The wide swings in output of durable goods and the volume of new construction reflect reactions by businessmen, consumers, and Government to current and expected changes in factors such as profits and cost trends, Government policies, foreign competition, population growth, age composition, etc. Purchases of nondurable goods and services are much more closely related to day-to-day consumer needs; consequently, output of nondurables tends to rise, even in periods when incomes are declining.

Table 1.--Percentage change in Gross National Product by major type of product in constant dollars, for selected periods 1948-1960

Quarter and year	Gross national product		Nondurable goods and services		Durable goods		Construction	
	Percentage change		Percentage change		Percentage change		Percentage change	
	Peak to Trough	Peak to Trough	Peak to Trough	Peak to Trough	Peak to Trough	Peak to Trough	Peak to Trough	Peak to Trough
Peak IV 1948	---	---	---	---	---	---	---	---
Trough IV 1949	-1.4	---	-0.6	---	-11.9	---	12.8	---
Peak III 1953	---	26.3	---	17.2	---	68.3	---	21.7
Trough IV 1954	-2.2	---	.6	---	-15.7	---	8.8	---
Peak III 1957	---	13.5	---	12.0	---	24.4	---	4.0
Trough II 1958	-4.0	---	.8	---	-20.5	---	1.8	---
Peak II 1960	---	12.1	---	9.6	---	22.9	---	10.7

Department of Commerce.

Table 2.--Percentage changes in output of selected major components of Gross National Product, in constant dollars, for selected periods, 1948-1960

Quarter and year	Consumer durable goods		Residential non-farm construction		Business fixed investment		Gov't purchases of goods and services	
	Percentage change		Percentage change		Percentage change		Percentage change	
	Peak to Trough	Peak to Trough	Peak to Trough	Peak to Trough	Peak to Trough	Peak to Trough	Peak to Trough	Peak to Trough
Peak IV 1948	---	---	---	---	---	---	---	---
Trough IV 1949	17.3	---	20.8	---	-15.2	---	3.3	---
Peak III 1953	---	18.2	---	5.5	---	24.0	---	80.3
Trough IV 1954	-3.9	---	17.0	---	-4.3	---	-12.8	---
Peak III 1957	---	20.4	---	-3.8	---	17.9	---	1.6
Trough II 1958	-11.0	---	0	---	-17.9	---	4.9	---
Peak II 1960	---	20.7	---	19.7	---	17.0	---	2.3

Department of Commerce.

Business Investment

Private business investment (including inventory change) during the 1957-58 recession dropped a third and then rose 50 percent during the following recovery in 1958-60. The bottom of the 1957-58 recession was in April 1958; new orders in manufacturing had already reached a low in February, followed by a low in sales in March, but inventory liquidation continued until June. With production rising, per capita income picked up rapidly in the third quarter. Sales of consumer durable goods began to rise in the last half of 1958, about the same time as plant and equipment spending turned up. Corporate profits moved up sharply from \$34 billion in the second quarter of 1958 to \$45 billion in the fourth quarter. With increased prospects for further gains, business investment in inventories and new plant and equipment rose. From the second to the third quarter of 1958, Federal Government purchases jumped further, thereby stimulating the recovery.

During the later stages of a recovery new orders received by manufacturers begin to level out as business prospects grow less optimistic. Production schedules are trimmed to adjust output to the level of incoming business and to reduce stocks which appear high in relation to sales. Lower production and a continued rise in costs tend to squeeze profit margins, resulting in a cut-back in spending by business for new fixed capital. In spring 1960, new orders turned down and inventory liquidation began in July. Industrial production was cut back, and consumer expenditures in the third quarter were reduced as consumer income leveled out. Plant and equipment spending turned down in the final quarter of 1960 and further reductions are scheduled in the current quarter of 1961.

The level of fixed investment by business, excluding inventory changes, in 1958-60 was lower than during the 1955-57 boom. Inventories also declined in relation to sales. For example, the ratio of stocks to business sales in early 1960 was 1.50, compared with 1.60 in the third quarter of 1957.

In 1958-60, excessive unused capacity in a number of industries tended to limit investment programs. In addition, profits in manufacturing as a percent of sales were below the previous expansion in 1956-57. Corporate profits declined from the first quarter 1960 rate of \$48.8 billion to \$41.5 billion in the third quarter, with undistributed profits in the same period falling from \$11 to \$7.3 billion. Lower profit prospects are a major factor in the indicated 4 percent decline in plant and equipment spending from the second quarter of 1960 to the first quarter of 1961, according to a recent survey of the Securities and Exchange Commission and the Department of Commerce. Somewhat offsetting is the continued rise in research and development expenditures by industry and Government, which tend to stimulate construction of new facilities.

Consumer Purchases

Consumer purchases of durable goods in constant dollars declined 11 percent in the 1957-58 recession and rose a fifth between the second quarter of 1958 and the second

quarter of 1960. A rising level of income, good prospects for employment as well as the relative availability of consumer credit are among the important factors in stepping up purchases during recoveries, and a reversal of these factors reduces purchases in recessions.

The greater bulk of consumer expenditures for durables consists of outlays for automobiles and parts and for furniture and household equipment. While expenditures for both of these items are greatly influenced by consumers' income, they have not exhibited parallel movements in the postwar period. Expenditures for automobiles and parts by 1960 had increased 135 percent from the 1947-49 average while expenditures for furniture and household equipment were 62 percent higher. In addition, expenditures for autos and parts showed much greater cyclical variability. These differences in movement reflect the different factors affecting the demand for these durable goods.

The demand for automobiles is influenced by the level and rate of change of consumer income, credit conditions, population growth, and the trend toward ownership of second cars because of the movement of families from urban to suburban areas.

During 1960, the introduction of compact cars reflected some alteration in automobile demand. Compact cars emphasize lower total purchase cost and economy of operation. The recent Department of Commerce report on the automobile industry pointed out that, although demand for these new low-priced cars was greater than anticipated, the sales impetus was not entirely at the expense of the low-and medium-priced standard size cars. Most sales came from the steadily growing number of families requiring more than one car and from those families normally purchasing a late model domestic used car or import.

Production of the newly introduced compact cars in 1960 reached about 30 percent of total car production of approximately 6.7 million units. Total production was about 20 percent larger than in 1959 and was the largest production since 1955 when 7.9 million automobiles were produced. Compact cars are expected to account for 35-40 percent of the 1961 total automobile production. The final size of 1961 auto production will depend mainly on how consumers assess their economic horizons. The current levels of unemployment and unsettled business conditions could result in a reduced rate of production in 1961, particularly in the first half of the year.

Consumer purchases of new homes over the cycle are influenced by changing availability of funds and interest rates on mortgages, in addition to income, changes in family size, and other demand factors. During recession periods monetary policies have been conducive to an expansion in residential construction while other construction was declining. In the 1957-58 recession, residential construction held steady, but moved up rapidly to a peak in the second quarter of 1959, as a result of measures enacted by the U. S. Government to stimulate housing.

Government Expenditures for Durables

Government expenditures for construction and durable goods, in constant dollars, rose from \$29.6 in 1956 to \$36 billion in 1959. Comprehensive estimates are not available for 1960, but based on current estimates of public construction and military procurement, they probably dipped a little. Prospects are for a rise this year.

During the 1948-49 recession total Government purchases of goods and services, in constant prices, rose from \$45.3 billion in the fourth quarter of 1948 to \$46.7 billion in the last quarter of 1949 with most of the rise in States and local government purchased. In contrast, real purchases in the 1953-54 recession dropped from \$84.4 at the peak of the expansion to \$73.6 billion at the low of the contraction due to the sharp cut-back in Federal defense and other programs. In the 1957-58 recession, Federal purchases were cut back during late 1957, but began to pick up in the second quarter of 1958. State and local government purchases continued to rise during this period.

Government purchases, in constant prices have moved counter-cyclically during recessions, often in the later stages, partially offsetting the drop in consumer and business demand for construction and durable goods. Between early 1959 and the third quarter of 1960 real Federal purchases declined, but are likely to rise in 1961 based on budget estimates. Military procurement began to move up in the first half of 1960 indicating a prospective rise in durable goods ordering in coming months. The halting of the rise in public construction in 1960 is expected to be reversed in 1961 with an increase in public housing, schools, hospitals and administrative facilities, and slightly larger highway outlays, adding up to an overall gain of about 5 percent above 1960.

AGRICULTURAL EXPORTS

The value of agricultural exports in 1960 set a new record of nearly \$4.8 billion, 20 percent above 1959 and about 6 percent over the previous calendar year high of \$4.5 billion recorded in 1957. Exports through November 1960, the latest month for which trade data are available, totaled \$4.3 billion, about \$800 million above the previous 11 months. The estimated annual total assumes no further gain in December. In terms of quantity, exports in 1960 probably rose at least 25 percent above 1959 and 15 percent above the previous calendar year high set in 1957.

About 62 percent of the increase in the value of farm exports through November 1960 over the comparable period of 1959 was due to cotton, exports of which more than doubled in quantity. Another 30 percent of the value increase represented exports of wheat and flour, which were about a third higher than during the comparable period of 1959. Exports of most other major commodity groups also were higher. However, decreases compared to last year occurred in feed grains and prepared feeds, reflecting larger supplies of animal feed in foreign countries. Exports of dairy products were also somewhat lower than in 1959, due primarily to reduced availabilities for foreign donation, but also to lower commercial demand and world prices.

Table 3.--U. S. Agricultural Exports for January-November
1959 and 1960 ^{1/}

Commodity	Unit	Quantity		Value		Change 1959 to 1960	
		1959	1960	1959	1960	Quantity	Value
		Mil.	Mil.	Mil.dol.	Mil.dol.	Pct.	Pct.
Cotton	R.Bale	2.9	6.6	357	846	122	137
Tobacco, unmfed.	Lb.	408	451	303	345	10	14
Wheat and flour ^{2/}	Bu.	382	526	655	885	38	35
Rice, milled basis ^{2/}	Cwt.	14	17	96	111	21	16
Corn and meal ^{2/}	Bu.	194	194	253	248	---	-2
Barley and malt	Bu.	110	87	122	97	-21	-20
Oats and oatmeal	Bu.	45	34	33	28	-24	-15
Grain sorghums	Bu.	90	89	103	99	-1	14
Total above	Sh.ton.	11.3	10.6	511	472	-7	-8
Soybeans	Bu.	104	127	241	290	22	20
Cottonseed and soybean oil	Lb.	1,324	1,362	163	143	3	-12
Lard and tallow	Lb.	1,763	1,959	150	147	11	-2
Total above oil cont.	Lb.	4,104	4,563	554	580	11	5
Dairy products ^{2/}	---			89	79		-11
Meat and meat products	---			86	114		33
Hides and skins	---			58	69		19
Fruits and prep.	---			222	227		2
Vegetables and prep.	---			133	130		-2
Foreign donations ^{3/}	---			103	117		14
All other	---			369	346		-6
Total Agricultural	---			3,536	4,321	^{4/} 32	22
Total Exports	---			15,724	18,501		18

^{1/} Preliminary.^{2/} Excludes foreign donations through voluntary agencies, listed separately below.^{3/} Includes, in million dollars, in 1959 (1960): wheat and flour 50 (52); cornmeal, 11 (14); nonfat dry milk, 37 (27); rice 2 (19); all other 3 (5).^{4/} 1960 quantity at average 1959 unit value for items where quantity is specified.

Based on Bureau of Census data.

Unit export prices of most major commodities for the year as a whole, did not differ much from 1959. Exceptions were cotton and tobacco prices which averaged somewhat higher, in part reflecting higher quality, while vegetable oil and tallow prices averaged well below 1959. Unit export values were lowest in the first half of the year, the period of the largest gain in total export value. Since mid-year some prices have strengthened, continuing the earlier trend for cotton and tobacco, and, in the case of lard, reflecting the reduced hog slaughter.

During 1960 exports of cotton may have totaled around 7-1/4 million bales; wheat and flour exports were close to 600 million bushels; tobacco, about 490 million pounds; and, fats and oils (including the oil content of oilseeds) nearly 6 billion pounds. Exports of this magnitude would have had a combined value of about \$3 billion compared with \$2.2 billion in 1959 and would have accounted for the anticipated net increase in total agricultural exports.

Total nonmilitary exports from the United States during 1960 are estimated around \$19.6 billion, \$3.3 billion above 1959. About one-fourth of the total improvement in merchandise exports will represent increased shipments of agricultural commodities. The proportion of agricultural to total exports will have reached the highest level since 1951.

Government Assistance to Farm Exports

In the year ending June 30, 1960, government assisted exports were equal to 58 percent of the \$4.5 billion of agricultural exports. In that year non-dollar exports under the special programs--sales for foreign currencies, grants, donations and barter--were valued at \$1.3 billion. An additional \$1.3 billion was the estimated value of commodities sold for dollars, but assisted through the payment-in-kind and similar export price reduction programs, as well as the extension of Export-Import Bank and CCC credit. Such payment programs are applicable to cotton and most grains, while CCC stocks of dairy products and certain other commodities, when available, are sold for export below domestic market prices. ^{1/} The remaining 42 percent of 1959-60 farm exports represented dollar sales which did not receive direct government assistance, including most livestock and horticultural products, and the bulk of the soybeans, vegetable oils and tobacco exported.

^{1/} Exports under the special programs also benefit from any price reduction program in effect. In 1959-60, about 70 percent of the non-dollar exports were subject to export payments.

Table 4.--U. S. agricultural exports, by type of financing
fiscal years 1956-57 through 1959-60

Type of financing	1956-57	1957-58	1958-59	1959-60
	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.
<u>Non-dollar exports</u>				
Public Law 480				
Sales for foreign currencies (Title I)	.9	.7	.7	.8
Relief shipments and donations (Titles II and III)	.3	.3	.2	.2
Barter	.4	.1	.1	.1
Total P. L. 480	1.6	1.0	1.0	1.1
Mutual Security Act 1/	.4	.2	.2	.2
Total special programs	2.0	1.3	1.3	1.3
<u>Assisted dollar exports</u> 2/	1.1	1.2	.8	1.3
<u>Unassisted dollar exports</u>	1.6	1.6	1.6	1.9
Total agricultural exports	4.7	4.0	3.7	3/ 4.5

Note: Detail will not add to total due to rounding.

1/ Primarily sales for foreign currencies.

2/ Export payments-in-kind (or cash for wheat flour); sales of CCC stocks at less than domestic market prices; sales under Export-Import Bank loans and CCC credit.

3/ Includes the following major commodities (mil. dol.): Sales for foreign currencies: wheat (512), cotton (142), edible oils (92), feed grains (81), rice (53), tobacco (49); Relief and donations: wheat (93), dry milk (34), rice (18); Barter: feed grains (61), wheat (41), tobacco (20); Assisted dollar exports: cotton (670), wheat (230), feed grains (350); Unassisted dollar exports: fats, oils and oilseeds (600), fruits and vegetables (400), tobacco (275).

Foreign Agricultural Service and operating agencies.

During calendar year 1960 about 60 percent of farm exports received Government assistance. Sales for foreign currencies under Title I of PL 480 may have risen \$200-250 million above 1959-60, with relatively minor changes in the other special programs. The largest absolute increase was in Title I wheat sales, although the proportion of non-dollar cotton, rice, and vegetable oil exports probably also rose. In the case of dollar exports receiving assistance, no major change from the 1959-60 level is anticipated. Cotton and wheat exports outside of the special programs probably increased; on the other hand, U. S. feed grain prices were competitive during part of the year and relatively less moved under the payment-in-kind program.

Special Export Programs
and Foreign Aid

The special agricultural export programs have played a major role in United States economic aid to foreign countries in recent years. Nonmilitary grants and similar transfers, loans and credits to foreign countries averaged around \$3 billion during the past 4 fiscal years. Repayments of U. S. Government loans by foreign countries brought net economic aid down to an average of \$2.4 billion. About half of this net foreign aid consisted of grants, loans and credits 1/ of the foreign currency proceeds derived from the sale of agricultural commodities plus direct relief shipments and donations under PL 480.

Table 5.--U. S. nonmilitary aid, selected fiscal years,
1957 through 1960 1/

Item	1957-59 average		1959-60	
	<u>Mil.</u> <u>dol.</u>		<u>Mil.</u> <u>dol.</u>	
Grants, loans and credits of foreign currency under the Mutual Security Act and Public Law 480	982		914	
Famine relief shipments and donations under Public Law 480	242		199	
Total above	1,224		1,113	
Dollar grants and credits <u>2/</u>	1,826		1,860	
Less: Repayments by foreign countries <u>3/</u>	609		865	
Net nonmilitary aid	2,441		2,108	

1/ Excluding investment in international financial institutions.

2/ About 60 percent of dollar aid is used to finance the export of U. S. goods and services.

3/ Excludes payments of interest by foreign countries which averaged \$230 million during 1957-59 and amounted to \$317 million during 1959-60.

U. S. Department of Commerce.

1/ The amount by which the value of agricultural commodities as exported exceeds the disbursement of foreign currencies as grants, loans, or in payment for services represents net short term assistance to foreign countries and is included as part of U. S. "foreign aid."

LIVESTOCK AND MEAT

A 5 percent larger spring pig crop than in 1960 is in prospect, based on December 1 farrowing intentions. As a result, pork output in the last half of 1961 will be larger than a year earlier. The 1960 fall pig crop was down 3 percent, with increases in the last half of the fall crop more than offset by reductions in June-August farrowings.

Hog prices are currently well above early 1960 prices and will likely continue above for several months. Unlike the rising trend last winter, prices will probably hold close to present levels and by spring may be only a little below those of last year.

The number of cattle and calves on feed January 1 in 26 feeding States was 6 percent larger than January 1960. Farmers planned at that time to market 44 percent of these during January-March, or about 6 percent more than last winter. Marketings of grass cattle during this time are also expected to exceed those a year earlier. Although total slaughter is expected to decline seasonally, it will continue larger than a year before.

Market prices for many classes of cattle and calves are currently close to or a little above prices last winter. A relatively stable price trend seems likely for cattle during the next several weeks, in contrast to the strong advances last winter. Fed cattle prices may strengthen later this winter but the peak price this spring will probably be somewhat below prices a year earlier. Prices for stocker and feeder cattle will probably increase seasonally this spring. Of special interest at that time will be the volume of marketings off wheat pastures. A large enough movement to slaughter, however, rather than to pastures or into feed lots, could limit any prospective increase in prices of stockers and feeders.

The number of sheep and lambs on feed for winter and early spring market in 26 States this year was 2 percent less than the number on feed January 1, 1960. However, total lamb slaughter this winter will likely be close to a year earlier. Under these conditions, a seasonal gain in lamb prices seems likely and by spring prices could be relatively close to those of last spring.

DAIRY PRODUCTS

Milk production increased in 1960 to 125.5 billion pounds following a two-year decline. After reaching a record level of 125.9 billion pounds in 1957, milk output fell off 1 billion pounds in 1958 and an additional 1/2 billion pounds in 1959. The increase in 1960 averaged 1 percent above the 1959 level and represents a recovery of 3/4 of the 1957-59 decline. Barring drought, generally favorable conditions for milk production will continue in 1961, probably inducing a greater increase in output than occurred last year.

The price to farmers for manufacturing milk in 1960 averaged about 2 1/2 percent higher than in 1959, although the price of milkfat in farm-separated cream showed little change from the year before. This reflects to a considerable extent higher prices paid for milk used in cheese in 1960. In November,

the average price reported paid for milk used for cheese, adjusted for fat content, was 15 cents per hundredweight more than milk used for butter. Prices for milk used in cheese were relatively higher than those for milk used to make butter in the first quarter of 1960, then remained about equivalent for the next four months, and turned sharply in favor of cheese in the latter part of the year. The differential for November in the five preceding years ranged from zero to minus 12 cents. A higher than usual price in one outlet usually brings about a change in utilization within a month or two. In October, production of cheese increased markedly over a year earlier and continued at these high levels for the remainder of the year.

The higher price for American cheese reflects an increase in consumer demand for cheese. In 1960 the apparent civilian disappearance of total cheese ran well above a year earlier. As a result, commercial stocks dipped below a year earlier from March through June 1960. Following this, demand for storage strengthened and, after June, commercial stocks were above 1959 and at record high levels. To some extent the increase in storage demand reflects the need for larger inventories to handle increased sales and a growing proportion of aged cheese.

Butter prices at both the wholesale and the retail level did not increase as much seasonally as last year, and were below 1959 during the last 4 months of the year. Cheese prices, on the other hand, started in 1960 at the highest level in several years, and in the last 4 months of the year were substantially above a year earlier.

With cheese prices above CCC purchase prices, support price operations were focused almost entirely on butter and nonfat dry milk in 1960-61. Less than 0.3 million pounds of cheese were sold to CCC in the first 9 months of the current marketing year, compared with the 50.3 million pounds purchased in the same period a year earlier.

Sales of butter to CCC totaled 87 million pounds from April through December last year, or 11 million pounds more than in the same period of 1959. Commercial stocks of butter at the end of 1960 were 2 million pounds above a year earlier. Deliveries of nonfat dry milk to the CCC in the first 3 quarters of the current marketing year at 606 million pounds compared with 601 million pounds in the same period a year ago. At the end of 1960 uncommitted CCC supplies included 16 million pounds of butter and 177 million pounds of nonfat dry milk.

Prices to farmers for milk in 1961 will probably average somewhat higher than in 1960 through March. Thereafter, the level of price supports to be announced before next April 1 will be an important determinant of the level of milk prices. With an anticipated increase in production, cash receipts may be higher.

POULTRY AND EGGS

Despite seasonal price declines at the turn of the year, egg prices in early January were well above corresponding 1960 prices, and at a level that will likely encourage an increase from the year before in hatchings of replacement chicks. On January 4, Iowa farmers were receiving 31-33 cents per dozen for

Grade A large eggs, compared with 21-22 cents a year earlier, and 37-38 cents a month earlier. In view of the 7 percent decline from last year that was reported for egg production on January 1, it is possible that egg prices will recover somewhat before resuming their seasonal decline.

Particularly because of favorable prices in the last 3 months of 1960, returns from the egg enterprise have sparked a renewed interest in raising chickens. The number raised in 1960 for flock replacement had declined to 339 million, the smallest number in more than 50 years. The current laying flock, reflecting this decline, is also the smallest for this time of year in 22 years. Increases in rate of lay in summer and fall only partially compensated for the declining number of birds, and the result has been a monthly output of eggs smaller than last year in each month since July. The decline from last year was aggravated by unusually cold weather in December in much of the country east of the Rockies. Also, transportation was impeded by snow.

Since April 1960, when egg prices picked up from their depressed 1959 levels, monthly hatchery activity has been above the year before. While the percentage increases have been large, those months have been mostly ones of seasonally small production, and the 55 million extra chicks hatched (compared with May-December 1959) were eclipsed by the cut of 112 million chicks that occurred during January-April. But if strong increases continue through the important hatching months of early 1961, the result could be an over-expanded laying flock by late 1961.

Current expectations are that the hatch will continue considerably above last year for the first quarter of 1961. Thereafter, monthly chick output will decline relative to 1960, and may even fall below that year. If January-May hatchings are substantially more than about 10 percent above last year, the laying flock at year-end will be back up to 1959 levels, which resulted in unfavorable egg prices.

The prospect of a somewhat larger hatch than last year will tend to reduce interest in storing shell eggs and in commercial egg breaking beyond that necessary to meet current requirements so long as prices hold at or above the levels of early January. Accordingly, egg prices are likely to drift further downward during the spring, until a level is established which equates storage demand with prospective fall supply as indicated by the level of chick hatchings.

Broiler prices remained relatively firm through the last months of 1960, showing less seasonal price decline than occurred in other recent years. U.S. mid-month averages in September-December were within the narrow range of 15.8-16.1 cents per pound. This was more favorable than the 14.8 cent low in mid-November 1959, but there was no counterpart in 1960 to the 2.6 cent rise from mid-November 1959 to mid-December.

In early January, broiler markets showed further strength compared with the preceding month, but remained at levels below the year before, when the mid-January price averaged 17.1 cents. This strength is despite increasing

weekly supplies of chicken, suggesting that seasonal increases in demand, normally expected with the end of winter holidays, are again occurring in broiler markets. Broiler chickens for February and March marketings will be about 9 and 4 percent more numerous than in 1960, if they correspond to recent chick placements.

The generally favorable prices for the record-large 1960 turkey crop have created an interest in increasing production in 1961. The number of birds now growing is already up, reflecting the 50 percent increase in hatchings for October-December, and farmers' early-January intentions were to raise 20 percent more birds than the 82 million in 1960. Storage stocks of 1960 birds no longer are so sharply above last year as they were in November. But the many birds soon to be available for marketing, and the prospective increase in the size of the later crop, suggest that 1961 annual average turkey prices may not equal the 25-26 cents that was the simple average price received by farmers in 1960. December and early January prices were below last year.

OILSEEDS, FATS AND OILS

Supplies of food fats and oils in the 1960-61 marketing year which began October 1, 1960 are placed at 14.0 billion pounds (oil equivalent of oilseeds), compared with 14.2 billion pounds available the previous year. Total disappearance is expected to rise slightly with domestic use reaching a new peak and exports continuing at last year's record level. Carryover stocks of food fats next October are likely to be somewhat less than last year, reflecting a reduction in the inventories of soybeans and edible vegetable oils.

Present prospects indicate that exports of all food fats (including the oil equivalent of soybeans) may total about the same as last year's record movement of 3.9 billion pounds. More edible vegetable oils are expected to move abroad during the current marketing year than last, about the same volume of soybeans, but less lard.

Exports of edible vegetable oils (cottonseed and soybean oils) in 1960-61 probably will set a new record of about 1.5 billion pounds compared with the 1,459 million pounds the previous year. However, more soybean oil, but slightly less cottonseed oil, likely will move abroad during the current marketing year. Exports of these edible oils under P. L. 480 and I. C. A. programs are estimated at 900 million pounds compared with 744 million pounds shipped out in 1959-60, an increase great enough to offset any possible decline in dollar sales.

Soybean prices to farmers during the heavy harvesting months of October-December 1960 averaged \$1.96 per bushel, 11 cents above the support price, and about the same as a year earlier. The price strength primarily reflects strong export and crusher demand for soybeans. Prices to farmers will make more than the usual seasonal increase of 15 cents per bushel (1956-59) average as bean crushers and exporters bid up prices for the reduced supply of soybeans this marketing year.

Crushings of soybeans in 1960-61 are expected to total about 400 million bushels and exports approximate the 142 million bushels shipped abroad in 1959-60. These estimates indicate a carryover of 10 million bushels or less on October 1, 1961, down sharply from the 23 million bushels last year.

Lard output in 1960-61 is forecast at 2,600 million pounds, about 5 percent less than last year. Prices during October-December 1960 averaged sharply above the previous year mainly reflecting the decline in hog slaughter.

Lard prices this winter are expected to remain well above the low levels of last year. During the spring the price premium of lard over soybean and cottonseed oils will narrow or possibly reverse itself. If prices of other fats and oils rise as anticipated, lard is likely to rise also but to a lesser degree than soybean and cottonseed oils.

Flaxseed supplies in the 1960-61 marketing year are placed at 34 million bushels compared with 37 million the previous year. Crushings of flax for domestic oil use may be around 20 million bushels; seed and feed requirements an additional 3 million; carryover, 4 million bushels; leaving approximately 7 million bushels of flaxseed available for export, most of which is likely to move out. The 1960-61 season average price received by farmers is estimated at \$2.66 per bushel compared with \$3.00 the previous year and the 1960 support price of \$2.38 per bushel. Linseed oil prices generally have declined since the beginning of the crop year and are likely to continue well below a year earlier the rest of this season.

FEED

Prices of feed grains and a number of the byproduct feeds rose during December and early January from low levels reached earlier in the marketing year. Average prices received by farmers for feed grains went up about 4 percent from November to December, but were still 6 percent lower than a year earlier. Prices of most byproduct and commercially prepared feeds also are lower than a year ago. Prices of livestock and livestock products, on the other hand, were 10 percent higher in December than a year earlier, resulting in a continuation of generally favorable livestock-feed price ratios.

The mid-December average price received by farmers for corn was 91 cents per bushel, 4.5 cents higher than in November, but 5 cents lower than a year earlier and 15 cents below the national average support rate of \$1.06 per bushel. The average price of sorghum grain declined slightly to an average of \$1.41 per 100 pounds in December, 9 cents lower than a year earlier and 11 cents below the 1960 support price. Prices of corn and sorghum grain are expected to advance seasonally during the first half of 1961, probably rising to near the 1960 support prices by summer. Prices of oats and barley are lower than a year ago, but they are again above the support level this year.

The index of wholesale prices of high-protein feeds rose about 11 percent from November to early January, with soybean meal advancing more than \$10.00 per ton. High-protein feed prices are still somewhat lower than a year ago. They probably will continue below the 1959-60 level this winter, but may be above last year's level by late spring and summer.

Feed grain production in 1960 reached a new record high of 168 million tons, 3 percent over 1959 and 23 percent above the 1954-58 average. The total supply of all feed concentrates is estimated at 274 million tons, 13 million tons more than in 1959-60. With fewer hogs and poultry on farms the number of animal units to be fed in 1960-61 is expected to be a little below the 168 million units in 1959-60. Feeding per unit, however, is expected to continue heavy in 1960-61, and total consumption of feed grains may be a little above the record level in 1959-60. The big feed grain crop is more than sufficient to meet total 1960-61 requirements and probably will increase the carryover into 1961-62 by around 10 percent over the 75 million tons carried over into 1960-61.

WHEAT

Cash wheat prices continued to advance in winter wheat markets. On January 17, compared with a month earlier, the price of No. 2 Soft Red Winter wheat at St. Louis was up 6 cents and that of No. 2 Hard Winter, ordinary protein, at Kansas City was up 2 cents. Heavy export demand for "free" supplies of these types of wheat account for the market strength. The price of No. 1 Soft White at Portland was up a cent from a month earlier, but that of No. 1 Dark Northern Spring at Minneapolis was unchanged.

Cash wheat prices on January 17 continued at or near the high for the season to date, with prices for dominant classes and grades up from the season lows as follows: St. Louis, 34 cents; Kansas City, 19 cents; Portland, 18 cents and Minneapolis, 8 cents.

On January 17, the price of No. 2 Soft Red at St. Louis, at \$2.17 was 13 cents above the effective support and that of No. 1 Soft White at Portland, at \$2.11, was 15 cents above. The price of No. 1 Dark Northern Spring at Minneapolis, at \$2.10 and that of No. 2 Hard Red Winter, ordinary protein, at Kansas City at \$2.03, were slightly below the effective support level. The price of hard winter of higher than ordinary protein continues to bring a premium over the loan rate. Also, prices at many country points in the Southwest are higher relative to the loan than at terminals.

Through December 31, growers had 327 million bushels of 1960 wheat remaining under support, which compares with 254 million on the same date a year

earlier. The total of the 1960 crop placed under price support was 371 million, of which 45 million bushels had been repaid through December. This compares with a total of 276 million bushels a year earlier, of which 22 million bushels had been repaid. During both November and December, repayments exceeded quantities placed under support. Repayments were especially heavy in Oklahoma, Texas and Washington.

Supplies of wheat for the marketing year, which began July 1, 1960, totaled a record 2,684 million bushels, including a carryover of 1,314 million bushels, a crop of 1,363 million and imports of about 7 million bushels, mostly of feeding quality and seed wheat. Domestic disappearance in 1960-61 is expected to total about 610 million bushels. Exports are now expected to total 575 million bushels. These estimates indicate that the carryover July 1, 1961, will total about 1,500 million bushels, compared with 1,314 million bushels last July 1.

Conditions as of December 1 point to a winter crop of 1,034 million bushels. The final outturn of the crop will be largely influenced by weather between December 1 and harvest, as well as damage from insects and disease. If it is assumed that farmers seed about the same acreage to spring wheat as they did last year (12.4 million acres) and that yields equal the average of the last 3 years (19.3 bushels per acre), a spring wheat crop of about 240 million bushels would be produced. Adding this to the indicated winter wheat crop, a total wheat production of nearly 1,275 million bushels is indicated, 7 percent below the 1960 crop, but 16 percent above average. A crop of this size would undoubtedly be in excess of domestic disappearance and exports, causing the carryover July 1, 1962 to again increase.

RICE

A further reduction in the carryover is expected August 1, 1961, as a result of continued large exports. Tentative estimates are for exports as much as 29.7 million cwt. in 1960-61, or about the same as in 1959-60. Domestic use is estimated at 28.2 million cwt., the same as a year earlier. With supplies of 67.0 million cwt., such exports and domestic use would leave stocks on August 1, 1961, of about 9.1 million cwt., a fourth less than the 12.1 million cwt. on August 1, 1960, and three-fourths less than the 1956 record of 34.6 million cwt.

The 1960 crop is estimated at 54.4 million cwt., only slightly larger than the 53.5 million produced in 1959, but 12 percent above the 1949-58 average. The yield per harvested acre in 1960 of 34.11 cwt. surpassed the previous record of 33.69 cwt. established in 1959 with acreage up slightly. With imports estimated at 0.5 million cwt., the rice supply in 1960-61 totals 67.0 million cwt.

The great reduction in carryover since 1956 reflects the record exports in 1956-57, the impact of the acreage reserve program in 1957 and 1958, and the lowering of acreage allotments for the 1956 crop. Allotments remained at the lower level for succeeding years.

The season average price received by farmers for rice in 1960-61 is currently estimated at \$4.59 per cwt., 17 cents above the support rate of \$4.42 per cwt. In 1959-60, the season average price, also at \$4.59, was 21 cents above the support price.

FRUIT

In early January 1961, remaining supplies of most fresh citrus fruits were somewhat larger than a year earlier, because of delayed early-season marketings. But remaining supplies of apples were smaller, the result mainly of lighter crops. Shipping-point and terminal market prices for most fruits in early January were higher than a year earlier, and are expected to continue above last year's levels. With packers' stocks of processed citrus products much smaller than a year ago, processor demand for citrus is expected to continue strong.

Early-season marketings of citrus have been much lighter this season than last, largely because of loss of early ripening fruit and dry fall weather in Florida and a smaller Naval orange crop in California. Both fresh market shipments and movements of oranges and grapefruit to processors through early January of this season have been considerably smaller than in the same period of 1959-60. This accounts for the heavier remaining supplies of early, mid-season and Navel oranges from the moderately lighter crop this season, and for the heavier supplies of grapefruit, from the 1960-61 crop. The marketing delays have reduced sharply output of frozen and canned citrus juices from a year ago and have contributed to continued higher prices than in early 1959-60.

The manufacture of frozen orange concentrate in Florida started in early December this season, a few weeks later than in 1959-60. Output increased rapidly during late December and by January 1, 1961 it totaled about 7.5 million gallons, 33 percent below a year earlier. Packers' stocks were down to 10.6 million gallons, 46 percent under the relatively heavy stocks a year earlier. Output of Florida canned single-strength citrus juices also has lagged much behind comparable production in 1959-60, and canners' stocks on January 1, 1961, were about 31 percent smaller than a year earlier.

Cold-storage stocks of apples of January 1, 1961 were substantially smaller than the stocks a year earlier. The 1960 crop was moderately smaller than the heavy 1959 crop and early-season movement to fresh markets and processors has been rapid. Grower prices generally have averaged substantially

above 1959 levels. Prices since October have increased somewhat. Year-end cold-storage holdings of pears were a little larger than on January 1, 1960, due mainly to decreased exports. Terminal auction prices for winter varieties of pears in early January 1961 did not average greatly different from January 1960.

Stocks of frozen fruits (excluding juices) in cold storage on January 1, 1961 were a little larger than stocks a year earlier. Stocks of frozen strawberries, the largest item, were down about 4 percent. Among canned fruits, year-end stocks of peaches, fruit cocktail, applesauce and apricots probably were somewhat larger than a year earlier but stocks of some other items were smaller.

COMMERCIAL VEGETABLES

For Fresh Market

Indications are that supplies of vegetables for fresh market are likely to be a little smaller this winter than last, though at least moderately above the 1950-59 average. Among the more important winter items, production of tomatoes and sweet corn is much larger than a year earlier, snap beans, cauliflower, and green peppers substantially larger, and broccoli moderately larger. But prospective output of carrots is down sharply from last winter, artichokes, celery and escarole down materially and cabbage down slightly.

As usual, domestic production of tender winter vegetables, particularly peppers, cucumbers and tomatoes, will be supplemented by imports. Reports indicate a big increase and record acreage of tomatoes in Mexico, and also large increases in acreages of mixed vegetables. Because of the political situation in Cuba no information is available on probable imports from that country.

Processed Vegetables

More frozen vegetables will be available in the early months of 1961 than a year earlier. Cold-storage holdings, excluding potatoes, on January 1 amounted to 852 million pounds, a tenth above those of a year ago. Holdings of green peas were substantially smaller than on January 1, 1960, and stocks of Brussels sprouts and mixed vegetables, slightly smaller; but stocks of most other frozen vegetables and stocks of potatoes were larger. Total supplies of canned vegetables appear to be a little smaller than a year ago. Supplies of lima beans, sauerkraut, and pumpkin and squash are larger than a year ago, and supplies of snap beans probably larger. Supplies of tomato juice are about the same as a year earlier. But supplies of green peas and sweet corn are substantially smaller than a year ago, and asparagus and some tomato products are also smaller.

Demand for processed vegetables has been good during the first part of the season and prices of most canned and frozen items have averaged slightly to moderately above those of the previous season. Consumer demand is expected to remain strong, and prices of processed vegetables, particularly canned items into mid-1961 are expected to continue above those of last winter.

POTATOES AND SWEETPOTATOES

Moderately more potatoes are in prospect this winter than last. January 1 stocks of fall crop potatoes amounted to 104 million hundredweight, about 6 percent more than a year ago. Prospective production of potatoes for winter harvest in Florida and California, at 4.5 million hundredweight, is up substantially from the small crop of last year. In the West, where remaining supplies of potatoes are near those of a year ago, prices to growers probably will average close to those of last winter. Because of larger supplies in the East and Midwest, prices to growers in these areas for round white potatoes are expected to average somewhat below those of a year earlier.

The 1960 crop of sweetpotatoes was down 17 percent from that of 1959. Production and movement to date in the main storage states indicate that remaining supplies are substantially smaller than a year ago. These smaller supplies are expected to continue to move at prices materially above those of a year earlier.

DRY BEANS AND PEAS

Overall supplies of dry beans for the current season, beginning last September, were slightly smaller than for the previous season. Supply of colored classes as a group probably were a little larger than the light supply of last season, while supply of white classes as a group was down moderately. Exports of colored classes of beans are expected to be smaller this season than last, mainly as a result of the political situation in Cuba, largest export market for our colored beans. Exports of white classes, in the current season, though probably below the high levels of last season, are expected to be large relative to most other recent years.

Remaining supplies of dry field peas are substantially smaller than a year ago, and at least moderately below the recent 10-year average. The reduction from last season is due to sharp cutbacks in production of Alaskas and other smooth green kinds, and wrinkled kinds. Assuming a normal rate of domestic use, substantially fewer peas are available for export than a year ago. However, foreign demand for U. S. peas is likely to be somewhat below the record demand

of last season. Prices to growers for Alaska and other smooth green peas are expected to continue materially above those of last season. But prices of Canadas and other smooth white and yellow peas are likely to continue below those of a year earlier.

COTTON

The average 14 spot market price for Middling 1-inch cotton in December was 30.16 cents per pound. This was close to the minimum resale price by local sales agents for Choice A cotton of 30.11 cents per pound. This sales price is 110 percent of the Choice B loan rate of 26.92 cents per pound, plus carrying charges of 0.5 cents per pound through December. The average market price for December 1960 was 1.62 cents per pound lower than a year earlier. By January 17 the price had declined to 30.11 cents per pound.

Through January 6, CCC had purchased about 7.0 million bales of Choice A cotton, of which about 5.3 million bales had been sold. Outstanding loans under the Choice B program on the same date were 281,194 bales.

Ginnings from the 1960 crop through December 12 were about 13.3 million bales--about 93 percent of the estimated crop of 14.3 million bales. This was the lowest percentage of the crop ginned to this date since 1957, when approximately 85 percent of the crop had been ginned prior to December 13.

Exports of cotton from August 1 through November, the last month for which data are available, were about 1,466,000 bales. This compares with about 1,371,000 bales for the same period a year earlier. Registrations for exports under the payment-in-kind program have continued at a relatively high rate although somewhat below those of a year earlier. As of January 13, registrations for exports before August 1 covered about 4,854,000 bales; a year earlier, they covered about 5,144,000 bales. Total exports for the current season are expected to be about 6 1/2 million bales compared with the very high level of 7.2 million in the 1959-60 season. The moderately smaller export registrations during the current season are in line with such an expectation.

Consumption of cotton from August 1 through November 1960 was about 2,792,000 bales compared with approximately 3,034,000 bales during the same months a year earlier. The monthly rate of consumption during each month of the 1960-61 season (starting with August 1960) has been below the corresponding months in the 1959-60 season. Consumption of cotton during the 1960-61 season is expected to be smaller than the 9 million bales of 1959-60.

Despite smaller consumption and somewhat smaller exports, the carryover of cotton on August 1, 1961 probably will be smaller than the 7.6 million bales of August 1, 1960. The 1960 crop of about 14.3 million bales is smaller than expected disappearance.

WOOL

World wool prices, including Boston prices, have moved within a narrow range in recent weeks. This reflects a slowdown in trade due to the year-end holidays. The slow pace and lack of demand by mills was particularly evident in the domestic market. The average mid-month price per pound received by growers in December 1960 was 40.2 cents, up 1.2 cents from the November price which was the lowest average mid-month price since March 1959. Prices for the current marketing year have been below the same month a year earlier since July 1960 due to a decline in world prices. World prices have eased due to a weakening in mill demand for the near record world wool output.

Domestic mill consumption of raw wool in January-November 1960 totaled 372.9 million pounds, scoured basis, 5 percent lower than for the same period a year ago. The weekly average raw wool consumption in November was 6,900 pounds or about 7 percent below the October rate and almost 6 percent below the November 1959 rate. The seasonally adjusted average weekly rate of consumption of apparel wool in November was 4 percent below the October rate and 12 percent below the rate in November of 1959. Carpet wool consumption in November, seasonally adjusted, declined 2 percent from October but was 3 percent above the rate in November of 1959.

Reflecting lower mill consumption and increases in imports of wool products, imports of raw wool for the period January-November 1960 totaled 214.0 million pounds, clean content, 21 percent less than for the same period last year. Dutiable imports were 68.4 million pounds, 25 percent less than a year ago. Duty-free imports were 145.6 million pounds or 20 percent less than a year ago.

The Foreign Agricultural Service has revised the 1960-61 world wool production estimate due to upward revisions in the Union of South Africa clip. The total is now set at 5,565 million pounds, grease basis (3,200 million pounds, clean), compared with the previous estimate of 5,555 million pounds. This is less than 1 percent below the record 1959 production.

TOBACCO

Marketings of the 1960 burley crop have been practically completed. Prices at auctions for the season through mid-January averaged 64.4 cents per pound, 4 cents or 7 percent higher than for last season. Deliveries for Government loans amounted to only about $1\frac{1}{2}$ percent of gross sales.

Burley supplies for the current marketing year, at 1,687 million pounds, are a little lower than for 1959-60. The 1960-61 total supply is equal to about 3.1 times probable disappearance, compared with a ratio of 3.2 in 1959-60 and 3.6 in 1954-55. In the past year, Government loan stocks of burley declined sharply, as substantial quantities were sold and moved into private trade channels.

Auction prices for the dark air-cured types 35 (One Sucker) and 36 (Green River) averaged 38.1 cents and 35.4 cents per pound, respectively, through mid-January, compared with 34.5 cents and 34.0 cents in the corresponding period of last season. The auction average for Virginia sun-cured (type 37) through mid-January was 38.6 cents, compared with 34.3 cents a year ago.

At auctions for Virginia fire-cured, prices averaged 39.6 cents through mid-January--3 percent higher than a year ago. Auctions for Kentucky-Tennessee fire-cured, type 22, opened January 17 and for type 23, January 16. For sales on opening day prices of type 23 averaged 42.2 cents, compared with 39.1 cents for the first day's sales last year.

The total supply of fire-cured for 1960-61 is about 2 percent below 1959-60 and the smallest on record; the 1960-61 total supply of dark air-cured and sun-cured is down 3 percent and the second smallest on record. However, total 1960-61 supplies of fire-cured and dark air-cured are still more than ample in relation to prospective disappearance. These types are used domestically mainly in the manufacture of snuff and chewing tobacco.

Output of cigarettes in calendar 1960 reached a new high of about 510 billion--up 4 percent from 1959. About 96 percent of the total was smoked by U. S. smokers. Preliminary estimates indicate that use of the two major cigarette tobaccos--flue-cured and burley--increased significantly in 1960. This was in contrast to several other recent years when, despite sizable gains in cigarette output, there were only comparatively small changes in domestic use (farm-sales weight) of these tobaccos. Cigarette consumption is expected to increase further this year.

The 1960 consumption of cigars and cigarillos is estimated at close to 7.2 billion--2 to 3 percent above 1959 and the highest since 1923. Principal increases in consumption in the last year or two have been in cigars retailing at 8 cents or less, which include several lines of established brands placed on the market in smaller sizes. Consumption of cigars will probably increase further in 1961.

Output of smoking tobacco for pipes and "roll-your-own" cigarettes in 1960 is estimated at $73\frac{3}{4}$ million pounds--slightly more than in 1959 but 3 percent below 1958. With incomes of most consumers continuing at comparatively high levels; appreciable increases in smoking tobacco output are not likely this year.

Production of chewing tobacco in 1960 totaling 65 million pounds was 5 percent less than in the preceding year and a new low. Interrupting a fairly steady decline from 1955 to 1959, production of snuff in 1960 amounted to around 35 million pounds, 2 percent more than in 1959. Not much change is expected in snuff output in 1961, but chewing tobacco will probably continue to decline.

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